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ENERGY -- DROP IN OPEC PRICE

Question:

Secretary Kissinger is negotiating on a multi-lateral basis to achieve a drop in the OPEC price of oil. There has been some speculation that there may be a drop in the price down to about \$8 a barrel. Would such a drop in the price of oil from foreign sources wipe out the conservation effect of your import fees?

Answer:

As I made clear in my State of the Union Address, we are trying to achieve secure energy supplies at the lowest possible cost.

However, our Nation is becoming more dependent every day on foreign sources for our energy needs. I cannot wait for the oil cartel to take action on the price of oil; my energy plan must go into effect immediately. One of the purposes of this plan is to raise the cost of the oil we consume to a level which forces conservation and thus reduces our vulnerability and the outflow of dollars. As we have so graphically learned over the past year, the oil cartel has the power to control the world price of oil, thus we must respond to this in our consumption habits.

The taxes and fees in my energy plan will result in conservation by the American people even if the price of foreign oil falls. In fact, in our mid-term goals for energy conservation we assume that there will be some drop in the price of foreign oil.

If Congress acts on the total energy plan I have recommended, I will have sufficient authority and flexibility to deal with actions of foreign governments both as to the availability and price of oil.

GUIDANCE

The FEA conservation goals assume that the world price of oil will drop \$7 (in 1974 prices) sometime between now and 1980.

M. Duval
2/1/75

February 4, 1975

SHARING OCS REVENUES

Question:

Which of the options developed by the Interior Department for sharing Outer Continental Shelf revenue with the States does the President favor?

Answer:

The matter of sharing OCS revenues with coastal states has come up frequently over the past few years. Under current law, revenues from OCS lease sales and royalties go to the Federal Treasury. This is based on the fundamental principal that the OCS is a national resource owned by all the people of the Nation and the revenue should, therefore, accrue to the benefit of all the Nation's citizens -- those in Iowa and Montana as well as on the coast. This policy has prevailed throughout the more than 20 years successful OCS development off the Gulf Coast.

It should note three other points:

- . If part of the OCS revenue which now goes to the Federal Treasury were given to coastal states, that Federal revenue would have to be replaced by taxes.
- . Shoreside development that does occur as the result of OCS development increases the State and local tax base and therefore has a beneficial rather than detrimental economic impact.
- . The Federal government has already increased planning assistance to the coastal states and will be working closely with the states to help assure orderly preparations for any onshore development.

For these reasons the Administration has taken the position that existing law should not be changed.

We are aware that Secretary Morton has asked his people to take another look at the question, but the Secretary has not recommended any change in position to the President. If he does make such a recommendation, the President will of course, consider it fully.

Note: OCS begins at the 3 mile limit. Inside 3 miles, the states own the land and get revenues.

February 12, 1975

SUBJECT:

NATIONAL ACADEMY OF SCIENCES
STUDY SHOWS OIL SHORTAGE

According to a three-year study released yesterday by the National Academy of Sciences, the United States will run out of oil and natural gas in 25 years, not the 40 to 60 years forecast by FEA, the Interior Department, and the White House.

Why is there such a discrepancy between the Academy of Sciences' estimate of oil and natural gas supplies and that of the Administration?

GUIDANCE: Process of reviewing their study to determine how they arrived at that²

A quick review shows that the Academy came up with 113 billion barrels of additional oil reserves. The U.S. geological survey estimates, based on geological formations, etc., to be 200 - 400 billion barrels.

I⁴ developing the Project I⁴ dependence report, to be on the conservative side, if FEA used 150 billion barrels.

Also, plan calls for other sources, other than oil, such as nuclear, coal, geothermal, ~~MMM~~ solar, etc. synthetic fuels, etc.

February 12, 1975

SUBJECT:

D OFF SHORE OIL DRILLING PLAN
DRAWS CRITICISM

The Interior Department yesterday announced that it was inviting oil companies to propose specific sites to drill for oil and gas off the Mid-Atlantic coast. New Jersey Governor Byrne said the Department's invitation published in the Federal Register broke a promise made by the Federal Government in 1971. According to Byrne, the Department had promised not to take this step until the Supreme Court had decided a suit over whether the Federal or State Governments own the riches of sea bottom beyond the three mile limit.

What's the Administration's reaction to the criticism by Governor Byrne that the Interior Department has broken a 1971 promise not to invite bids on OCS drilling until a review by the Supreme Court?

GUIDANCE: We are in the process of reviewing this matter, so would not have any reaction to Governor Byrne's comments until that review is completed.

FYI ONLY: Phil Buchen is meeting with Justice Department officials this morning to go over the 1971 agreement and developments since that time. END FYI ONLY.

JGC



February 14, 1975

SUBJECT:

COMMENTS BY ALAN GREENSPAN

Mr. Greenspan said in testimony yesterday before the Senate Appropriations Committee, "Administration economists are seeing the very earliest stages of recovery. We see some very definite and quite hopeful signs." What are the hopeful signs seen by Mr. Greenspan?

GUIDANCE: One of the significant factors in any recovery is that of inventories. It appears that there is significant inventory liquidation going on at this time and that is usually, by its nature, the very earliest signs of a recovery.

*Lower interest - causing business expansion
More savings - more money for expansion & loans.*

Mr. Greenspan also said that there is evidence that the pace of inflation is softening. What is this evidence?

GUIDANCE: I think you can just look at the WPI for the last two months including those figures announced today and you'll see some softening in the industrial and agriculture prices.

What is your reaction to the WPI released today (down .3%)?

GUIDANCE: This is pretty much in line with our expectations.

*Speaking out in more detail ~~that~~ next
week, testimony & possible news conf.*

February 19, 1975

SUBJECT:

RELEASE OF EPA POLLUTION FUNDS

It is my understanding the States must put up 25% of the construction funds, with the Federal Government putting up the remaining 75%. Several governors state that they are not able to match the 25%, thus cannot qualify for funds.

Why does the Federal Government impose this 25% matching requirement on the States?

GUIDANCE: We want the State and Local Governments to be very much involved in the projects for which these funds are applied. This is not strictly a national concern, but one of State and Local impact. We feel it is important for the States to bear a portion of the cost for these projects, so that these funds will be applied to the most important projects and the use of these funds will be scrutinized very closely. We do not want these problems looked upon as a free gift from the Federal taxpayers.

Isn't it true that many States are not able to come up with the 25% matching requirement, and thus are unable to avail themselves of these pollution funds?

GUIDANCE: EPA says that have no evidence of any grants that would not be made because of insufficient matching funds at the local level.

I might again point out that even with the release of this additional \$5 billion, it will be at least 1980 and beyond before these funds will be utilized. There is still \$9 billion obligated during the last three years that has not been spent.

(More)

RELEASE OF EPA POLLUTION FUNDS

Seventeen governors have stated that they are not able to come up with the matching funds for the previously impounded highway funds, and in this situation it must only come up with 10%. Wasn't it somewhat of a farce to release these funds knowing these States could not avail themselves of them?

GUIDANCE: Prior to announcing the release of the highway funds, contacts were made by the Department of Transportation to the highway officials in each state. Only three states indicated there was a problem of matching.

It has been asserted by some that there are as many as 17 states that have a lack of required matching funds. The Department of Transportation is working with the chief state highway officials to discover what the exact facts are.

February 20, 1975

SUBJECT:

ARAB OIL PRODUCTION DECLINING

Oil men from Kuwait and Iran reported substantial declines in January crude oil production and industry sources said output was also off in other Mid East countries. Some economists expect the fall in oil demand to bring a substantial drop in crude oil prices which have already declined from the 1974 peaks.

Do you expect a decrease in Arab oil prices because of the decline in production?

GUIDANCE: We feel the decline in production is not yet sufficient to cause an immediate or significant break in world oil prices.

In order to get this decline in prices, it will take a greater drop in demand and a greater surplus. This will require greater conservation by the United States and the other consuming nations. This is why we believe so strongly that the President's energy program reducing imports by 1 million barrels per day in 1975 and 2 million by 1977 is an absolute mandatory and achievable goal.

JGC

February 20, 1975

SUBJECT:

LIFTING OF PRICE CONTROLS
ON CRUDE HELD ILLEGAL

A three judge Federal Court ruled yesterday that the Government acted illegally when it removed price controls from new domestic oil. In a 2-1 decision, the Temporary Emergency Court of Appeals ruled that Congress didn't merely authorize FEA to regulate new oil prices, but required it to do so.

Will the Administration appeal the Temporary Court of Appeals decision?

GUIDANCE: The final decision to appeal will be made by the Justice Department.

It is my understanding the Federal Energy Administration has recommended to the Justice Department that a motion for reconsideration be filed with the Temporary Emergency Court of Appeals for an en banc hearing with all 9 members. As you know, the decision yesterday was a three member panel with the final vote of 2-1.

FYI: TECA is the special court set up to handle all economic and stabilization matters and all suits arising under the allocation act.
END FYI.

The Solicitor General is currently reviewing the opinion and is analyzing the prospects for an appeal. I would expect the final decision within the next few days.

Do you feel this ruling will affect the President's plans to decontrol on April 1?

GUIDANCE: I think it would be improper for me to comment while the Justice Department is preparing its possible appeal.

FYI: According to Section 4g of the Emergency Petroleum Allocation Act of 1973, the President does have the authority to remove the price controls on domestic crude oil, subject to Congressional disapproval. It appears that as long as we follow this statute and its provisions of going to the Congress first, we can decontrol.
END FYI.

February 20, 1975

SUBJECT:

ARAB OIL PRODUCTION DECLINING

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JGC

March 3, 1975

SUBJECT:

SHARING OCS REVENUES

Has the President decided to share Outer Continental Shelf Oil revenues with the states?

GUIDANCE: The matter of sharing OCS oil revenues with Coastal States has come up frequently over the past few years. Under current law, revenues from OCS lease sales and royalties go to the Federal Treasury. This is based on the fundamental principle that the OCS is a national resource owned by all the people of the nation. (OCS begins at the three mile limit. Inside three miles, the states own the land and get the revenues.)

However, the President has asked Secretary Morton to review this area and prepare options for him to see if there should be a change in government policy. Once Secretary Morton does make his recommendations to the President, it will be reviewed and analyzed by the President and his staff. (See attached guidance from February 4.)

3/20

Sup. Ct ruled last wk. that
revenues on OCS belong to
Fed. Gov't & not the Coastal States.

JGC

March 4, 1975

SUBJECT:

SUMMARY OF ULLMAN ENERGY PLAN

Import Reduction Goals

President

'75--1 mmb/d

'77--2 mmb/d

Ullman

'76--500,000 b/d

'77--1 mmb/d

--Ullman's plan would result in increasing vulnerability to U.S. economy. A six-month disruption could result in \$30-40 billion loss in GNP and over 1 million people unemployed.

Reliance on Gasoline

We agree with the need to cut back non-essential driving, encourage car pools, and raise the price of gasoline. However, we also believe that the incentive to conserve residual oil, heating oil, and other products must be provided. The 10¢ per year gasoline tax, increasing by 10¢ each year, would add about one percentage points to the CPI each year. This contrasts with the President's program which adds two percentage points the first year, and about one-half point the second year.

The program that only reduces gasoline consumption would result in significant disparities in regional economic impact. The leisure and auto industries would also suffer the worst economic impacts.

The tax refund coupon system is a complex method for distributing revenues and is less effective than tax changes.

Permanent Reliance on Allocations and Quotas

Allocations are not a long range solution. The choice of who conserves and by how much is made by the government, rather than by the individual user. Unemployment would be higher and GNP lower under this approach.

Decontrol of Old Oil

The Ullman plan suggests decontrolling old oil prices over a five year period. The President favors decontrol immediately.

(More)

Import Quota System

If the government decides which imports enter the country, it must also decide which refiners receive the crude oil.

Energy R & D Trust Fund

By establishing such a restrictive fund, we may create the same difficulties now being experienced by the Highway Trust Fund. Also, our proposals provide sufficient funding to develop these projects.

Depletion Allowance

The Administration remains opposed to the repeal of the depletion allowance. Ullman plans to eliminate this.

Electric Utilities

The Ullman plan provides tax deferrals for reinvested utility dividends, but will not solve the overall problems of the utilities and will not provide the rate of return necessary to assure their viability.

Deregulation of Natural Gas

The Ullman plan provides for either a gradual deregulation of all natural gas, or an increase in the price of new natural gas to 80¢ or \$1. The President recommends deregulation immediately of new natural gas.

Other Conservation Measures

Under the Ullman plan, there are no standards set for average miles per gallon. The concept of using FHA loans to stimulate insulation in homes is bureaucratically complex and less effective than a tax credit. The Ullman plan also ignores thermal efficiency standards, appliance standards, and mandatory fuel efficiency labeling.

Miscellaneous

The Ullman plan mentions production from the Naval Petroleum Reserves, but does not provide for accelerated exploration and development of NPR-4 which could result in 2-3 million barrels per day of additional oil by 1985.

The Ullman Plan provides for no goal for commercialization of synthetic fuels; the President's program establishes a goal of one mmb/d of synthetic fuels commercialization by 1985.

A more detailed analysis of the Ullman plan will be performed when further specifics are known. We do believe that the Ullman proposal forms a basis for discussion, but in and of itself, is not a basis for a compromise.

March 12, 1975

SUBJECT:

RESPONSIBILITY FOR NPR PRODUCTION

Has the President changed his mind on who should handle production from NPR? He originally said production and exploration should be under control of the Navy.

GUIDANCE: The President has not changed his position on his legislative proposal dealing with the Naval ~~Petroleum~~ Reserves. He still feels strongly that there should be immediate production from Elk Hills and immediate actions on the further exploration and development of other reserves. This is his primary goal.

With respect to whether the responsibility for the reserves should be in Navy or transferred to Interior, the President's recommendations are reflected in his legislative proposal. If the Congress has a better solution that will still permit achieving the primary goal, the President would accept its judgment on this jurisdictional issue. Again, the goal is production and the President believes it is up to Congress to act on the matter without further delay.

JGC

March 4, 1975

SUBJECT:

ZARB'S STAFF TO WORK WITH ULLMAN'S

Is it correct that Mr. Zarb has suggested that his technical experts work with Mr. Ullman's staff in shaping an energy package that is acceptable to both branches of government?

GUIDANCE: I talked with Mr. Zarb yesterday and he did mention that he had suggested to Mr. Ullman that his staff, and especially his technical experts, work with Mr. Ullman's staff in developing an energy package that is acceptable to the Congress and to the Administration.

I should also point out though that Mr. Zarb and members of FEA have been working with all the various committees considering the energy proposals and legislation, including the staffs of various Senators and Congressmen who are particularly interested in this problem.

We are confident that this close working relationship will result in a good, sound program acceptable to both branches of government in the very near future.

JGC

March 4, 1975

SUBJECT:

PRESIDENT'S ENERGY PLAN WOULD
HIKE UTILITY RATES

The National Association of Regulatory Utility Commissioners said in Washington that the President's proposed energy program would increase utility rates by 20%. They said this is "far in excess of any reasonable increase needed to maintain a viable industry".

What's your reaction to the statement by the State Utility Regulators?

GUIDANCE: Our earliest projections estimated electricity prices would increase approximately 6 to 10%. It should be pointed out that fuel costs for utilities are less than 30% of their costs in producing electricity. Capital, overhead, salaries, etc. make up the bulk of their costs.

In addition, with the proposed tilt toward gasoline and away from heating fuel, residual fuel, etc., the proposed increase for electricity and utilities would be even less, probably in the area of 4 to 7%. Therefore, the statement that the utility rates would increase 20% is just not in any range projected by the Administration.

JGC

MARCH 5, 1975

SUBJECT:

TILT TOWARD GASOLINE

Even though the President has postponed the imposition of the second and third dollar, there is still a one dollar fee on imported crude oil. Does the President still plan to tilt this one dollar fee toward gasoline?

GUIDANCE: As of March 1st, FEA issued regulations which limit the ways in which the refineries can pass through this increased one dollar import fee. By these regulations, refineries are prevented from disproportionately loading the increased cost on to heating oil, residual oil, jet fuel, etc. However, by these regulations, refineries can disproportionately load on to gasoline.

It is my understanding that later this week, FEA will be requesting public comment on proposed changes to these regulations which would require refineries to pass through their increased costs on to gasoline; in other words, require the refineries to tilt toward gasoline. However, these proposed changes will be out for public comment for ten days, will then be reviewed and analyzed, so any proposed requirement for a gas tilt probably would not occur before April 1st.

JGC

MARCH 5, 1975

SUBJECT:

RUSS TRAIN'S ANNOUNCEMENTS ON AUTO
EMISSION STANDARDS (2 p.m., 3/5/75)

Question:

Russ Train is expected to announce his decisions and recommendations to Congress on auto emission standards which amount to significant delays in current requirements. We understand that he met with the President on this subject on Monday. Do these delays in effect reflect what the President told Mr. Train to do?

Answer:

Mr. Train asked for a meeting with the President on Monday for the purpose of informing the President of his decisions on auto emission standards that EPA plans to make today. During the meeting, Mr. Train informed the President of the decisions that he had made and will announce today!

- . Auto emission standards for 1977 model cars which he is authorized to set under 1974 amendments to the Clean Air Act. This is a regulatory decision.
- . Auto emission standards that he recommends for 1978-81 model year cars. This is a policy recommendation and, to become effective, would require Congressional action to amend the Clean Air Act.

Follow-up Question:

Mr. Train's decisions on emission standards for 1977 and 1978-81 are different from those recommended by the President to the Congress in his proposed Energy Independence Act. Do they replace the President's recommendations to Congress?

Answer:

Not necessarily. The decisions and legislative recommendations announced by Mr. Train were based on EPA's public hearings and were not reviewed or discussed with other agencies that have an interest in the matter prior to Mr. Train's decisions and announcement. The President has indicated that he would like to have the views of other agencies before he decides how he might modify his legislative proposal.

FYI: All other questions on meaning or implications of Train's decisions should be referred to EPA.

JGC

March 6, 1975

SUBJECT:

55 MILE PER HOUR SPEED LIMIT

Does the President agree with the Democrats that the 55 mile per hour speed limit should be strictly enforced by the Federal Government?

GUIDANCE: I might just point out that on January 4, 1975, the President signed S.3934, the Federal Aid Highway Amendments of 1974. That bill made permanent the temporary 55 mile per hour national speed limit, and also contained authority for the Secretary of Transportation to require each state Governor to certify that his state is enforcing the 55 mile per hour speed limit. If this certification cannot be made, then Federal Highway Funds will be withheld.

The President has instructed the Department of Transportation to vigorously impliment this provision. Therefore, the Department of Transportation today is publishing regulations in the Federal Register to impliment this law establishing the 55 mile per hour national speed limit. The regulations require that the Governors annually certify that their states are enforcing the speed limits. States failing to exercise effective enforcement face a loss of Federal Funds through withholding of Highway Projects by the Secretary of Transportation.

I might also point out that there is evidence to date that not only does the 55 mile per hour speed limit save a great deal of energy, but a great number of lives have been saved as well.

March 6, 1975

SUBJECT:

RUSS TRAIN'S ANNOUNCEMENT
ON AUTO STANDARDS

What is the President's reaction to Russ Train's announcement that he was suspending for one year, 1977, automobile emission standards and recommending a program for reducing hydrocarbon, carbon monoxide, sulfuric acid emissions for the 1977-1982 model years, including a sulfuric acid emission standard, beginning with 1979 models?

GUIDANCE: The President has indicated that he would like to have the views of other agencies before he comments on Mr. Train's proposal or decides how he might modify his legislative proposal.

(All other questions should be referred to EPA.)

JGC

March 11, 1975

SUBJECT:

ULLMAN AND ZARB STAFFS
MEETING REGULARLY

You have mentioned that Messrs. Ullman and Zarb and their respective staffs have been meeting. Is there any progress toward a compromise on an energy plan?

GUIDANCE: There have been regular meetings between the staffs of Mr. Ullman and Mr. Zarb and the Federal Energy Administration. It is my understanding they are having full and open discussions on a wide variety of subjects in the energy area. The staff work is passing both ways.

We are very hopeful that constructive progress will be made, but I think it would be premature to comment on any specifics at this time.

Zarb - Met Ullman, staff

Met Wright for site, Ullman + me.
Met with Pastore.

Will meet Pastore again.

Zarb will meet Houseer Senate Staff.

So far "Good Progress" on House side
still some differences. But
Working on them.

March 12, 1975

SUBJECT:

RESPONSIBILITY FOR NPR PRODUCTION

Has the President changed his mind on who should handle production from NPR? He originally said production and exploration should be under control of the Navy.

GUIDANCE: The President has not changed his position on his legislative proposal dealing with the Naval Petroleum Reserves. He still feels strongly that there should be immediate production from Elk Hills and immediate actions on the further exploration and development of other reserves. This is his primary goal.

With respect to whether the responsibility for the reserves should be in Navy or transferred to Interior, the President's recommendations are reflected in his legislative proposal. If the Congress has a better solution that will still permit achieving the primary goal, the President would accept its judgment on this jurisdictional issue. Again, the goal is production and the President believes it is up to Congress to act on the matter without further delay.

JGC

March 20, 1975

SUBJECT:

SENATE VOTES TO KILL
FOREIGN OIL TAX CREDIT

The Senate yesterday approved two amendments to the tax cut bill, one killing the foreign tax credit, and the other requiring American corporations to pay U.S. taxes on foreign earnings at the time they are earned, rather than deferring payment until the money is brought back to the U.S.

What's your response to the Senate action to add the two tax amendments to the tax cut bill?

GUIDANCE: The amendments added yesterday are very, very complicated. We feel it is ill-advised for the Senate to consider these subjects in conjunction with a tax cut and tax rebate bill. The Committee should take this kind of a serious, complex matter up in depth, hold hearings, and make an intelligent decision based on thorough study and review, (and not play to the galleries on the Senate floor).

As the President has said numerous times, and as I have said from this podium, the most important thing now to get our economy going again and to move out of this recession is for the Senate to immediately pass a tax rebate for the American people. The President wants a clean tax cut bill without a whole host of amendments attached to it.

JGC

March 21, 1975

SUBJECT:

GAO CRITICAL OF OFF-SHORE
DRILLING PACE

The General Accounting Office has issued a report which is highly critical of the Federal government's plan for accelerated leasing of off-shore oil and gas resources. They say that the Interior Department's plan to lease 10 million acres of the OCS each year during this and the next four years was reached without careful analyzing and considering several factors and problems affecting the goal of soundness.

What's your reaction of the GAO charge that you are pushing ahead too rapidly on Outer Continental Shelf leasing?

GUIDANCE: On November 13, the President met with a group of East Coast Governors to discuss Outer Continental Shelf oil and gas development.. At that time, the President began the discussion by stating that in the near term, we must increase our domestic production of oil and gas. He also said that the Outer Continental Shelf oil and gas deposits can provide the largest single source of increased domestic energy, and with less damage to the environment and a lower cost to U.S. economy than any other alternative. However, the President did state that he realizes legitimate concerns have been expressed about OCS leasing and development.

One of the first concerns is that the industry does not have the manpower and equipment necessary for exploration and development of ten million acres. The President, at that meeting, directed that Secretary Morton insure that all safeguards are obtained and that our primary objective is to produce oil and gas where we can do so safely.

The second concern was that no new areas of the Shelf should be leased until the Coastal States have completed detailed plans to accommodate the on-shore impact of off-shore production. The President directed Secretaries Morton and Dent to consult with the Coastal Governors and insure that there were adequate plans for on-shore development.

(More)

The third concern had to do with the risks to the environment from the proposed leasing program. The President directed Secretary Morton and Chairman Peterson to prepare a comprehensive liability statute governing oil spills.

So I think it is safe to assume that the President and the Administration are aware of the concerns and the potential problems in this area of Outer Continental Shelf Leasing, but that steps have been and are being taken to insure that the many factors and problems affecting the goals are not sacrificed for speed.

March 25, 1975

SUBJECT:

NOMINATIONS AND COMMENTS SOUGHT
FOR PROPOSED OCS LEASING

The Department of Interior today is asking industry to nominate Mid-Atlantic tracts on the Outer Continental Shelf that it would like to see offered for leasing because of the tracts' oil and gas resource potential. In addition, the Department is asking the general public, including the state governments to identify tracts that they believe should not be offered for lease because of conflicting resource values.

A call for nominations and comment was issued in February by the Interior Department, but later withdrawn pending a ruling by the U.S. Supreme Court in the case of the U.S. vs. Maine. The high court on March 17 unanimously upheld the Federal government's exclusive right to the oil and gas resources of the Atlantic OCS beyond three miles from the coastline.

The call for nominations and comments is part of the orderly and sequential steps in the process of a proposed lease sale which conforms with the National Environmental Policy Act of 1969 (NEPA), guidelines issued by the President's Council on Environmental Quality (CEQ), and Interior regulations.

None of these steps constitutes an actual decision to hold an OCS oil and gas lease sale. The interval between the call for nominations and comments and the actual decision on whether to hold a sale is generally at least a year.

Offshore oil and gas lease sales are being accelerated as a part of the Federal government's effort to achieve greater energy self-sufficiency.

POSSIBLE QUESTIONS FOR RON NESSEN BRIEFING
MARCH 25, 1975

John

1. Interior Secretary Rogers Morton is making speeches about Administration plans for subsidizing the electric power industry. ~~Now~~ Doesn't this conflict with the Administration's program to ~~to~~ conserve energy through higher prices?
2. The House of Representatives is expected to approve today a bill to expand the federal lunch program and to hold costs to students to 25 cents per meal. Will the President veto such a bill? ~~D~~
3. Will the President sign the \$3.7 billion foreign aid bill even though it is $2\frac{1}{4}$ billion under administration requests?
4. The Senate-House conference committee has tentatively approved ~~xxxxx~~ the Senate version of ~~a~~ a refund of social security taxes for low-income families, as part of the tax cut bill. Can the President sign such a bill?
5. The California Young Republicans have urged Ronald Reagan to run for the presidency ~~next~~ next year. Is the President worried by this show of support for Reagan?
6. Cong/ Henry Reuss says the Administration plans for a minimum floor price for world oil is harmful---questions the authority by which the Administration negotiated the Paris minimum price agreement March 20th, and says Congress would never approve such an agreement.

April 11, 1975

SUBJECT:

SENATE PASSES ENERGY BILL

The Senate yesterday passed a standby gasoline rationing and fuel conservation bill. Many of the provisions conflict sharply with those of President Ford.

What's your reaction to the Senate-passed energy bill?

GUIDANCE: We have not yet seen a copy of the bill as passed by the full Senate. The FEA is trying to get a final draft and will do an analysis as soon as possible. Following that analysis, we'll be able to give you a more complete response to your question.

Based on news reports though, it appears the bill attempts to enforce conservation standards through a process of direct Federal, state and local intervention. The President rejected in his energy program the notion that government officials could force conservation on the American people. We believe that we must rely on individual choice and the price mechanism. The President still believes in this principle.

Various Administration officials have testified on the Senate bill and there are obviously certain provisions we feel are objectionable. It appears that the basic philosophy of the bill is in complete contradiction to the philosophy of the President. The thrust of the Senate bill is further government control. Many will agree that government controls helped get us into the energy situation that we now find ourselves.

However, following the analysis by FEA, we will be able to give you a more complete rundown on the Senate bill.

What are some of the objectionable features of the bill?

GUIDANCE: Other than the mandatory conservation provisions, we have advocated decontrol of old oil. Not only has the Senate bill not decontrolled old oil, but they have placed a price ceiling on new oil.

JGC

April 15, 1975

SUBJECT:

JACKSON PROPOSES NEW AGENCY
TO OVERSEE ENERGY PRODUCTION

Senator Henry Jackson yesterday proposed the creation of a new Federal agency to oversee energy production programs.

What's your reaction to Senator Jackson's proposal?

GUIDANCE: We feel that the Federal Energy Administration is very capable of handling and overseeing the Federal government's energy production programs. The creation of a new Federal agency would just be an additional Federal bureaucracy, would create inefficiency, and ultimately lead to higher costs to the consumer.

JGC

April 22, 1975

SUBJECT:

ADMINISTRATION'S POSITION ON
CARGO PREFERENCE BEING REASSESSED

According to Mel Conant, FEA's Chief of International Affairs, the White House is reassessing its position on the issue of cargo preference, that is, requiring that American ships carry a certain percentage of oil imports.

Is the Administration reassessing this position and is it now prepared to support a cargo preference bill?

GUIDANCE: The President has ordered a complete review of U.S. Maritime policy and programs. As you know, the President met with the maritime industry leaders and union officials on March 7 and following that meeting, ordered this review. The review is under the direction of the Economic Policy Board with the direct supervision being handled by the Acting Secretary of Commerce.

Will the Administration submit its own legislation or support legislation now pending before the Congress?

GUIDANCE: I believe it would be premature to speculate until the policy review is completed.

Why is the President reassessing his position so soon after vetoing the cargo preference bill passed by Congress?

GUIDANCE: As I recall, there were several problems with that bill, including the fact that it was inflationary and imposed a threat to international relations.

May 8, 1975

SUBJECT:

CONGRESSIONAL PROGRESS ON
ENERGY LEGISLATION

The House Ways and Means Committee has been making quite a bit of progress on Energy legislation, and I would like to ask you a few specific actions they have taken in recent days.

GUIDANCE: I should point out that in analyzing what the Congress does in a total energy bill, we will have to look at the whole and then evaluate its parts as part of the whole, and we cannot continually be put in a position of accepting one part and rejecting another part. It looks different when you look at the whole bill. We might be willing to accept something in one area that we wouldn't ordinarily accept if something is good in another area.

The Committee has imposed a tax on industrial use of petroleum and natural gas, phased in by 1977 to encourage businesses to convert to other energy sources. What's the Administration's reaction to this move?

GUIDANCE: The industrial tax and utility tax was an attempt by the Ways and Means Committee to approach the President's intent to place conservation on all parts of the crude barrel and not just on gasoline. We believe that in the last 48 hours this provision has been made weaker than what we wanted.

One concern we have is that every step of the way through the legislative process each of these provisions will be made weaker and we will not end up with a comprehensive energy conservation program.

Does the Administration accept the tax on guzzling cars which don't meet the 18 mile a gallon efficiency in 1978, 19 miles in 1979, 20 miles in 1980?

GUIDANCE: There are two provisions, one in the Ullman Committee, and one in the Dingle Committee, and they both tried to fix the same problem in different ways. We are not going to comment on either except to say they both have moved closer to the President's 40% program and closer to mandating, in legislative form, what the President has asked for in voluntary form. It would be premature to comment though until Congress resolves who will have jurisdiction on this matter.

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What about the provision boosting existing 4¢ per gallon Federal gasoline tax by as much as 23¢?

GUIDANCE: We have always been opposed to a gasoline tax as a single vehicle for energy conservation. The other complicating factor here is that the Ullman 20¢ gasoline tax takes effect in 1977, based on certain things that may happen in 1976. Dingle, on the other hand, has an allocation provision for gasoline which would make it impossible for those conditions to exist in 1976. So it looks to us right now that if Dingle prevails, there will be no gasoline tax.

I assume the President does go along with the provision to write off for business investments and property and equipment to process coal into gas or liquid?

GUIDANCE: We have been in favor of incentives, but are now trying to evaluate this provision in line with the investment tax credit which we already proposed.

The Committee yesterday approved repeal of the 10% tax on busses used in inner-city public transit. Does the Administration favor this provision?

GUIDANCE: That just happened and we will have to take a very close look at the revenue effects of this provision.

Do you really feel that Congress will be able to complete and submit to the President a comprehensive energy program within 30 days?

GUIDANCE: It appears to me that Congress has not seemed willing to put together a tough enough bill to solve the energy problem. Our concern is that they will put together a marshmallow program that will have not the effects we think are necessary to solve the nation's energy problems.

Then, do you mean that you are anticipating that the President will have to add the second \$1 within 30 days?

GUIDANCE: I will just let the subject lie there and think the facts will speak for themselves.

May 16, 1975

SUBJECT:

SUMMARY OF ECONOMIC AND
ENERGY MEETING, MAY 16--11 a.m.

Frank Zarb reviewed for the President the pending energy legislation and Administrative actions that could be taken. Zarb mentioned the following:

- For the most part, the Ullman bill is unacceptable. As it moves on to the floor, it will undoubtedly become even less acceptable.
- Congress will try, and show a lot of activity, but they will not produce an acceptable bill.
- Elk Hills is still hung up in a jurisdictional dispute.

Administrative actions involve three options:

1. Announce the second dollar effective June 1st (we can win this) and send up decontrol at the same time (we would lose this).
2. Work with the New England delegation and agree to withhold the second dollar, but get their support for decontrol (chance for achieving this is very small).
3. Go up with the second dollar and hold off decontrol.

The President stated that the final decision can come in the middle of next week, though he is leaning toward adding the second dollar but feels this is not the right atmosphere for sending up decontrol, since it would be defeated.

**In response to the question of when we send up decontrol, the response should be:

"The FEA public hearings on Phase Decontrol were just completed on May 14. Mr. Zarb will spend the next three or four days reviewing the data from those hearings, and no final decision has been made as to the timing on the submission of our decontrol plan." (The original plan was to submit decontrol today, with either House then having five days in which to override the plan. However, the House is not meeting today, therefore, the five day period would not be completed prior to the recess. Action would then be delayed until after June 1st.)

The President will make his final decision by the middle of next week.

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STRIP MINING LEGISLATION

Jim Cannon then reviewed the key issues involving strip mining, and related the arguments against and the arguments for the strip mining legislation.

Russ Train then made the following points in favor of the bill:

--Congress has made some fairly good changes, though they have not gone as far as we would have liked.

--There is no doubt that once this bill is fully effective, there will be some job loss, and some operators will be hurt. This is the price that must be paid at some point in time.

--Congress has responded, they have made some improvements, and don't see them improving on this in the future.

Zarb mentioned that he is greatly troubled with the present bill, though they have changed and improved some provisions, they have created new problems. No matter how you look at it, at a time when we are trying to increase coal supplies, this bill would affect production.

Simon asked if we really needed another layer of bureaucracy in this area. Since 1973, 21 states have enacted or strengthened their legislation in this area.

Zausner stated that in the next year we need an increase of 50 million tons just to support our coal conversion plans. However, this legislation would take us the other way.

Lynn remarked that on substance, "I would veto the bill". It is a bad bill. However, you must recognize that in February, you proposed strip mining legislation which would also cut production and increase unemployment. This must be taken into account in any final decision.

Arthur Burns remarked that this country cannot afford a cutback in coal production.

Greenspan remarked that last February when our strip mining legislation was proposed, we had an energy program, but this has not been enacted. The only energy source in the United States in which we have an adequate supply is coal, and to cutback this source is foolish.

Max Friedersdorf was then asked to give his projection on sustaining a veto. He mentioned that we had 133 certain votes to sustain, with approximately 27 additional that we might pick up. It is not a certainty, but there is a good chance to sustain the veto.

The President then remarked that he would make his final decision prior to midnight, May 20.

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OPTIONS FOR JUNE 1st BUDGET UPDATE

In order to finalize the budget update, it was necessary to settle on an estimate of the unemployment figure for 1976.

Mr. Greenspan remarked that they have done a recalculation of unemployment figures and find that it is very difficult to get the unemployment rate for calendar 1976 under 8.1%. CEA's best estimate is 8.2%. As you know, we have previously talked about getting the rate down to 7.9%. An 8.2% rate of unemployment for calendar 1976 implies about 7.7% by December 1976.

Dr. Burns remarked that if 8.2% is right, then 7.9% isn't wrong, since there is not that much difference.

--If come out with a figure of 8.2%, you'll be subject to a great deal of criticism.

--You gave the Americans some hope in the foreign field last week; give the Americans some hope in the economic area.

Dr. Dunlop remarked that he's very concerned about the social fabric of the United States, and a campaign fought between next June and November with an 8% unemployment rate. This issued should be faced from both the political view and from the broader social view.

The Vice President remarked that if you put out an 8.1% or 7.9% unemployment rate average for 1976, the next question you will be asked is, are you satisfied with this rate? If not, what are you going to do about it?

Alan Greenspan then remarked that you must recognize that if we lower the unemployment figure now for 1976, we must publish new figures in the January budget next year. If we have to revise that figure upward then, that will really cause us problems. I would rather see the President have to revise downward next January, rather than upward.

The President then asked if it was important to be less pessimistic now, saying, "I think so". The President also asked if we publish 8.2% projected unemployment figure, do we generate on the Hill more phony make-work programs?

Lynn then remarked to the President that we must have a decision today on what will be the projected unemployment figure for 1976. Everyone agrees that 1975 will be 8.7% (up from 8.6% at the last meeting). The 1976 unemployment figure has an effect on unemployment compensation projections, food stamp projections, etc. The President remarked that he would have his answer to Lynn or Greenspan by mid-afternoon.

The meeting, which began at 11:08 a.m., adjourned at 12:36 p.m.

May 21, 1975

SUBJECT:

HOUSE DELAYS ACTION ON ENERGY TAX BILL

The House Democratic leaders yesterday postponed action on the pending energy tax bill until at least early June, after Congress has returned from its Memorial Day recess. Apparently, the bill was held up because of growing opposition to tough conservation provisions in the measure.

Does the President have any response to the action taken yesterday by the House Rules Committee to not bring out the energy bill until after the recess?

GUIDANCE: The President has been watching the developments on the Hill very carefully and has been completely informed on the action or inaction that has occurred there.

The President is now considering the timing of the next steps that he can take to insure continued Presidential leadership toward solving this grave national problem. The President will be meeting with his energy and economic advisors later this afternoon, and at that time, it is expected that he will direct these advisors to begin the process of implementing the programs that he can take through administrative actions.

I might just point out that has Congress not only failed to come up with a comprehensive national energy program in the additional time given them by the President, but they have not even been able to get a bill to the Floor for debate. This is just a further reason why the strip mining veto should be sustained by the House today. The strip mining legislation would unnecessarily reduce coal production, and this is a vital domestic energy resource that is needed now more than ever. With the failure of Congress to enact any kind of legislation prior to adjournment, we all get the feeling that as the domestic energy shortage becomes more serious, Congress is not facing up to it. To pass legislation which will have a counter-productive effect, and in essence will just reduce our energy supplies unnecessarily, is ill-advised at this time.

I think it is also important to note that the Shah of Iran on Sunday stated that we could expect a further increase in oil prices this year. With domestic energy production continuing to drop, we are today more vulnerable to higher oil prices and

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to the disruption of oil supplies than we were during the Middle East embargo. The comments by the Shah on Sunday are a further reason why this country needs to become self-sufficient in energy. Our present vulnerability places us in an untenable situation, and comments by the Shah just show that new and serious economic problems could result if action is not taken in the very near future.

What administrative actions can the President take, other than adding the second dollar, and decontrol?

GUIDANCE: These are basically the administrative actions that the President can take at this time, but I should point out that the final decisions and timing are being reviewed by the President at the present time.

If the Shah is going to raise the price of oil \$2 per barrel, isn't this irresponsible for the President to add the second dollar import fee to that same barrel of oil?

GUIDANCE: The purpose of the import fee is to encourage the use of less and less Middle East oil. We are going to be paying fewer and fewer dollars out to the Middle Eastern countries, and we'll put ourselves in a better bargaining position in the future.

JGC

May 22, 1975

SUBJECT:

DECLINE IN DOMESTIC OIL PRODUCTION

Frank Zarb has mentioned domestic oil production has declined from 9 million barrels per day in the first quarter, 1974, to 8-1/2 million barrels per day in the first quarter of 1975. What is the major reason for this decline?

GUIDANCE: Most of the oil fields in the United States reached their peak in production about 1970. Some first began producing in the 1850's.

Therefore, you have these old oil fields where normal kinds of production techniques are being applied to a dwindling reserve base. As you get down to deeper levels in the surface of the earth, the costs increase dramatically.

There are more expensive production techniques, such as secondary and tertiary recovery methods, but they are uneconomic at the current price control levels of about \$5.25 a barrel. As you go deeper, the costs increase disproportionately.

In addition, I should point out there are some old oil fields which still have an ample supply of oil, but any additional wells placed on that pool, is still classified as old oil and comes under the current price control levels.

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